

**TRABUCO CANYON WATER DISTRICT  
FINANCE/AUDIT COMMITTEE MEETING RECAP  
DECEMBER 7, 2011**

**DIRECTORS PRESENT**

Jim Haselton, Committee Chair  
Ed Mandich, Committee Alternate

**STAFF PRESENT**

Don Chadd, General Manager  
Hector Ruiz, District Engineer  
Teresa Teichman, District Secretary  
Michael Perea, Special Project Manager  
Karen Warner, Accounting Supervisor  
Cindy Navaroli, Contract Treasurer

**PUBLIC PRESENT**

No members of the public were present.

**CALL MEETING TO ORDER**

Committee Chair Haselton called the December 7, 2011 Finance/Audit Committee Meeting to order at 7:04 a.m.

**VISITOR PARTICIPATION**

Public comments were announced. No comments were received.

**ORAL COMMUNICATION**

Oral communication was announced. No comments were received.

**COMMITTEE MEMBER COMMENTS**

Committee Chair Haselton led staff in the flag salute in honor of Pearl Harbor Day.

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**REPORT FROM THE GENERAL MANAGER**

Mr. Don Chadd, General Manager, advised he will be attending the MET/MWDOC Manager's meeting later today. Mr. Chadd noted the Finance Director from MET will be in attendance at today's meeting.

**FINANCIAL MATTERS**

**ITEM NO. 1) FINANCE/AUDIT COMMITTEE MEETING RECAP**

The November 2, 2011 Finance/Audit Committee Meeting Recap was presented to the Committee.

**Recommendation:** *The Committee recommended that the November 2, 2011 Finance/Audit Committee Meeting Recap be received and filed by the Board. (Consent Calendar).*

**ITEM NO. 2) RATIFICATION OF DIRECTORS' FEES AND EXPENSES  
AND FUTURE MEETINGS**

The Committee reviewed this matter. Committee Alternate, Mr. Ed Mandich, noted a mistake on the attached schedule of Director Future Meetings relating to the event referenced for December 29, 2011 which should state General Manager, not Mayor. Mrs. Teichman noted the correction and will amend prior to the time of the next Regular Board Meeting.

**Recommendation:** *The Committee recommended that the Directors' expenses for October/November 2011 and fees for October/November 2011 be forwarded to the Board for ratification. (Consent Calendar.)*

**ITEM NO. 3) DISCUSSION RELATING TO BAKER WATER TREATMENT  
PLANT FINANCING**

Mr. Chadd advised he will be meeting with the General Manager of the El Toro Water District (ETWD) as it relates to discussions for funding options through the Irvine Ranch Water District (IRWD). Mr. Chadd stated TCWD may be relying on information from ETWD's legal counsel as IRWD has the same legal firm as TCWD. Mr. Chadd anticipates having more information to provide at the time of the next Finance Committee meeting.

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**ITEM NO. 4)                    STATUS UPDATE RELATING TO STORM DAMAGE**

Mr. Hector Ruiz, District Engineer, distributed a spreadsheet listing each of the projects relating to damages resulting from the December 2010 and January 2011 winter storms which have been approved for reimbursement under the Federal Emergency Management Agency (FEMA). Mr. Ruiz reviewed the actual cost of each project along with the approved reimbursable costs from FEMA and CalEMA, along with TCWD's portion of cost.

Mr. Ruiz stated all projects on the spreadsheet listing have been completed with the exception of line item 6; WSP6, the District Raw Water 16" Transmission Line; Serrano Creek Crossing.

Discussion occurred relating to an alternate raw water transmission line and the feasibility of the project. Mr. Ruiz advised FEMA will pay 75% of 75% of the approved total and he estimates TCWD's potential share of cost to be somewhere in the range of \$500,000 to \$1,000,000.

**Recommendation:**    *The Committee received and filed the status update. No action necessary.*

**ITEM NO. 5)                    DISCUSSION RELATING TO ADJUSTMENT TO SEWER SERVICE FEES**

Mr. Chadd distributed a draft of TCWD's sanitation expenses and reiterated this is only a draft as it is a staff working document at this time.

Mr. Chadd explained the information on the draft as it refers to EAST, the Robinson Ranch Sewer District and WEST, the El Toro Road District and Chiquita Area. Mr. Chadd discussed reclaimed water revenues as it relates to sanitation revenues in the East area of the district. Mr. Chadd discussed the summary of revenues and expenses which demonstrate current sanitation revenues collected do not cover the related expenses to each sanitation zone. Mr. Chadd stated the current draft information indicates an approximate increase of \$18.00 per month to the East portion of the District and \$7.00 per month increase to the West portion of the District. Mr. Chadd stated these figures will be refined as he continues to work with TCWD's Finance department and it is his recommendation to phase in this increase over a two to three year period to District customers. Mr. Chadd stated revised figures will include revenues reflecting water sales to SMWD.

Mr. Chadd advised TCWD's Contract Accountant and one of her employees has been working with TCWD's District Engineer as it relates to updating TCWD's capital improvement projects database.

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**Recommendation:**     *The Committee received and filed the status update. No action necessary.*

**ITEM NO. 6)            OTHER MATTERS**

Mr. Ruiz advised he met last week with the District Engineer from SMWD as it relates to discussions concerning SMWD's 2010 Sewer Spill and TCWD portion of fines. Mr. Ruiz advised the conclusion of the discussion was that TCWD's sewage flows were diverted at the time of the spill. Mr. Ruiz stated TCWD will not be responsible for a percentage of costs as it relates to the fine for the actual sewage spill but will however have a 7% share of cost as it relates to the capital project for the relocation of the sewer line.

Mr. Chadd discussed information relating to a possible opportunity for TCWD to purchase emergency storage capacity in SMWD's Chiquita Reservoir. Mr. Chadd stated the City of San Juan Capistrano has indicated an interest in releasing approximately 1.5 million dollars worth of capacity. Mr. Chadd noted when a buy-in to the Chiquita Reservoir was originally offered to TCWD, TCWD did not have a dedicated revenue source and currently has emergency storage rights in Lake Irvine. Mr. Chadd stated the WRES fund now provides a dedicated revenue stream. Mr. Chadd advised he and Mr. Ruiz will be having future discussion with SMWD as it relates to TCWD's potential buy-in; though agencies already committed to the project will have first right of refusal. Mr. Chadd recommends pursuing this opportunity to diversify TCWD's emergency storage portfolio.

Lastly, Mr. Chadd discussed information provided to him by a resident in the Windy Ridge Road area as it relates to the condition of Rose Canyon Road.

**ITEM NO. 7A)            PRESENTATION OF OCTOBER 2011 UNAUDITED  
FINANCIAL STATEMENT**

Mr. Chadd introduced Ms. Cindy Navaroli, TCWD's Contract Accountant/Treasurer, to the Finance Committee. Ms. Navaroli presented the October 2011 unaudited financial information to the committee. Ms. Navaroli explained the new format to the committee stating the changes made reflect a more contemporary style of reporting and alleviate redundancy of information. Ms. Navaroli stated she is following the State Controllers Report formatting as much as possible for reporting purposes to LAFCO.

Committee Chair Haselton questioned the increase in Board expenses. Ms. Navaroli stated she will look into the information and report back. Ms. Navaroli noted the category of Cash Flow is missing from this month's report and will be included for next month.

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Mr. Chadd advised Mr. Neil Glass of Leaf & Cole was at TCWD last week to perform certain aspects of the 2010/2011 Fiscal Audit. Mr. Chadd stated TCWD was anticipating presenting the audit to the Board at the time of the December Regular Board meeting, however; per the auditors, information will not be ready until the time of the Regular January Board meeting.

Committee Chair Haselton thanked Ms. Navaroli for her work efforts.

**Recommendation:**     *The Committee recommended that the Board receive and file the October 31, 2011 preliminary unaudited financial statement, as presented. (Consent Calendar).*

**ITEM NO. 7B)        BILLS FOR CONSIDERATION**

The bills for consideration were presented.

**Recommendation:**     *The Committee recommended that the Board ratify payment of November 15, 2011 bills for consideration in the amount of \$315,782.20, and the December 7, 2011 bills for consideration in the amount of \$315,801.60 and the November 2011 payroll in the amount of \$150,571.42 as presented. (Consent Calendar).*

**ADJOURNMENT**

Committee Chair Haselton adjourned the December 7, 2011 Finance/Audit Committee Meeting at 7:58 a.m.